*** NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL ***

CLICK HERE FOR THE CEO's REPORT DATED JANUARY 9, 2008

CLICK HERE FOR THE CEO's REPORT DATED JANUARY 24, 2008

CLICK HERE FOR THE CEO's REPORT DATED MARCH 20, 2008

County of Los Angeles
CHIEF EXECUTIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

January 9, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

HEALTH CARE REFORM: LEGISLATION AND BALLOT INITIATIVE

According to Governor Schwarzenegger, the intent of California's proposed health care reform is to make health care more secure, affordable, and cost effective for those with insurance and expand coverage to 3.7 million uninsured individuals. It consists of two parts; **ABX1 1 (Nuñez)**, The California Health Care Security and Cost Reduction Act (Act), which passed the Assembly and is scheduled for a hearing in the Senate Health Committee on January 16, 2008, and the Secure and Affordable Health Care Act of 2008 Initiative, which is targeted for the November 2008 ballot. **This memorandum provides an analysis of each and advises that we will pursue a support and amend position on the legislation consistent with the policies in the State Legislative Agenda, other County positions and this analysis.**

ABX1 1 (NUÑEZ)

The bill includes an individual mandate requiring all individuals to purchase health care coverage with some limited low income exceptions. This could be accomplished in multiple ways through the private market or through an employer, expansion of the Medi-Cal and the Healthy Families programs, creation of a statewide health care purchasing pool (the California Cooperative Health Insurance Purchasing Pool or Cal-CHIPP), and other insurance market reforms.

ABX1 1 increases inpatient and outpatient rates for designated public hospitals, defined as the University of California and county hospitals. Designated public hospitals would continue to receive supplemental Federal reimbursement (Disproportionate Share

Hospital payments) consistent with current law and funds from the existing Safety Net Care Pool pursuant to California's Medicaid Hospital Financing Waiver.

The Managed Risk Medical Insurance Board (MRMIB) is required to define minimum coverage by March 1, 2009. Minimum health coverage is to include the same scope of services as required under the Knox-Keene Act which promotes the delivery and quality of health and medical care to Californians, in addition to prescription drugs. Minimum credible coverage to meet the individual mandate will be determined by MRMIB through the regulatory process. Most of the bill's provisions will take effect on July 1, 2010.

The bill contains a number of requirements affecting counties and public hospitals, the In-Home Supportive Services (IHSS) program, and the County as an employer.

Public Hospital Issues

The following elements of the bill positively affect public hospitals. They ensure that the County has access to sufficient funding and patients to help maintain fiscal stability.

<u>Expands Eligibility:</u> The Act would expand eligibility in the Medi-Cal and Healthy Families programs which has been a longstanding policy goal of the Board. It also will make clinic services available to low income residents who are not eligible for other State subsidized coverage.

<u>Creates a Local Coverage Option (LCO):</u> The County Department of Health Services (DHS) recommended that the State develop an LCO. The legislation allows counties to set up an LCO which will be available to childless adults with incomes up to 100 percent of the Federal Poverty Level (FPL). DHS, the California Association of Public Hospitals (CAPH), the California State Association of Counties (CSAC), and the Service Employees International Union (SEIU) support this provision.

- <u>Guarantees Exclusivity:</u> The childless adults in the LCO remain with public hospitals for four years. In the fifth year, the bill provides for automatic enrollment to the LCO with the ability to disenroll after 30 days. After five years, eligible individuals may choose to enroll in the LCO, a county organized health system or one of the two-plan Medi-Cal managed care contractors in that county. Failure to enroll would result in assignment to the LCO. DHS, CAPH, CSAC, and SEIU support exclusivity.

<u>Increases Reimbursement Rates:</u> Public hospitals will receive cost-based inpatient and outpatient reimbursement rates which will be adjusted annually by the increase in the Consumer Price Index for Medical Services utilizing FY 2009-10 as the base year. DHS, CAPH, CSAC, and SEIU support increased rates.

Fiscal Impact: According to DHS, these public hospital provisions of the legislation, when fully implemented in the third year, will result in an annualized gain of between $190 million to $225 million for the department.

In-Home Supportive Services

ABX1 1 does not designate counties as the IHSS employer of record for IHSS providers and, in addition, specifies that IHSS recipients are not the employer for purposes of any employer fees. Employee representatives may elect, at their sole discretion, to provide health care benefits through a trust fund if requested in collective bargaining. Another provision delegates authority to MRMIB to determine if part-time IHSS providers must be covered under health care reform. In addition, the State would increase its contribution to IHSS provider health care costs.

The County currently provides health care coverage to approximately 29,000 of the estimated 146,000 IHSS providers through the DHS Community Health Plan (CHP). To qualify for coverage under the CHP IHSS Worker Healthcare Plan, IHSS providers must work at least 80 hours per month for two consecutive months.

Potential Fiscal Impact of a Health Trust Fund: Under this provision, if the employee representative chooses a health plan other than the CHP, the County may be required to transfer $15.8 million at a minimum to the Health Trust Fund. This amount represents the County's current share of cost for the IHSS Worker Healthcare Plan. If this transfer occurs, the County will lose an additional $71.4 million in State and Federal revenue it would have received for health benefit coverage to IHSS providers currently in the CHP.

According to DHS, the loss of State and Federal revenue resulting from the potential migration of IHSS providers from the County's CHP would be significantly offset by increased enrollees from the LCO. The amount of County funds subject to transfer could increase substantially depending upon MRMIB's determination of employees to be covered under health care reform.

Increased State Contribution to Health Care Costs for IHSS Providers: The bill provides for a $0.75 increase in State sharing in health benefits. Under existing law, the State shares in benefits up to $0.60 per hour. ABX1 1 would increase the amount to $1.35 over a three-year period. The first $0.25 would occur in the first year that the bill is in effect. The next two $0.25 increments would begin in a subsequent fiscal year in which State General Fund revenues grow at least five percent year over year, based on the May Revision revenue forecast. These increases provide for additional State participation in IHSS provider health benefits at county option.

The County as an Employer

Part Time Employees: MRMIB is authorized to determine the status of part time employees under health care reform through regulation and to define minimum credible coverage for purposes of complying with the Act's requirement that every California resident maintain health coverage. The regulations will be established by MRMIB on or before March 1, 2009. The impact on the County will depend on MRMIB's regulations.

SECURE AND AFFORDABLE HEALTH CARE ACT OF 2008 INITIATIVE

On December 24, 2007, Governor Schwarzenegger and Assembly Speaker Nuñez submitted a ballot initiative to the Attorney General for title and summary. Where ABX1 1 stated legislative intent to fund the implementation of health care reform, the initiative identifies the specific financing elements for the $14.1 billion a year legislative proposal. It includes a tobacco tax of $1.75 per pack, and revenues from employers, hospitals, and counties. The employer mandate would require any employer not providing coverage to pay a tax of between one percent and 6.5 percent based on the size of the payroll, a hospital fee of four percent on net patient revenues, and a county share of cost. The initiative is linked to legislative passage, and the Governor's approval, of a version of ABX1 1 that is essentially the same as the bill which passed the Assembly.

Public Hospital Issues

The initiative contains several significant items which affect public hospitals including a hospital fee, the definition of the County Share of Cost (CSOC), an annual growth factor on the CSOC, provisions to reduce a county's maximum payment amount if the State reduces or eliminates Medi-Cal eligibility, and a process to resolve disputes between the State and counties.

Hospital Fee: A four percent fee is imposed on all participating hospitals. DHS advises that the impact of this fee could result in a fiscal benefit depending on Federal acceptance of the hospital fee as a reimbursable cost.

County Share of Cost: The initiative requires counties to contribute 40 percent of the total costs paid by the State from all sources, for those eligible and enrolled adults with an income at or below 150 percent of the FPL who are residents of a county. The CSOC funds the LCO, and is also the precondition for receipt of enhanced Federal cost-based reimbursement. DHS supports this contribution based on various provisions which protect counties.

- Allocation of CSOC: An allocation for each county will be determined by the Department of Finance in consultation with CSAC. This provision was specifically requested by CSAC.

- Cap on CSOC: The maximum aggregate payment from all counties is set at $1 billion adjusted annually by the percentage change in the Realignment sales tax. From FY 2000-01 through FY 2006-07, the annual change in the Realignment sales tax ranged from -2.7 percent to +8.2 percent. The annual adjustment is applied proportionately to the share of each county's aggregate payment. DHS and CAPH support this provision.

County Protections: The initiative stipulates that a county's maximum payment amount is adjusted if the State reduces or eliminates Medi-Cal eligibility. There is also a process to resolve disputes between the State and counties, and counties may file for fiscal distress if health costs diminish the ability to provide other county services. These protections were specifically advocated by CSAC.

California Hospital Association's Concern with the Initiative: Our Sacramento advocates indicate that the California Hospital Association (CHA) is particularly concerned with initiative language related to the ability of the Legislature to amend provisions of the initiative by statute. CHA is seeking to amend the initiative so that payments to private hospitals at the Federal maximum and the cap on the hospital fee are not subject to amendment. CHA has raised these issues with the Governor's office and is attempting to resolve these concerns.

Pursuit of Position on Health Care Reform

The County supports health reform as outlined below. This position is consistent with a number of policies in its State Legislative Agenda. The County supports a dependable, long term funding source for the health care safety net, and proposals to expand the use of health provider fees and other allowable methods to increase net Federal Medicaid and State Children's Health Insurance Program matching payments to California and health providers at no cost to the State General Fund.

In addition, the County is supportive of proposals that reduce the number of uninsured persons and expand Medi-Cal and Healthy Families coverage to low income individuals. The County supported **SB 840 (Kuehl) of 2005** which would have provided health insurance coverage to all California residents through a single payer insurance program.

The County believes that ABX1 1 and the accompanying initiative represent a significant net fiscal benefit to the County which also will help to maintain the fiscal stability of DHS.

Based on these policies and our analysis, our Sacramento advocates will work to support the passage of ABX1 1. They also will work with our health reform partners including CSAC, the Urban Counties Caucus, CAPH, SEIU, and others in pursuit of this goal. Finally, our Sacramento advocates also will pursue an amendment to the IHSS section of the legislation to exempt counties that provide health care benefits to IHSS providers from the health trust fund provision and take a **support and amend position** on the legislation.

Other Issues

Legislative Analyst's Office (LAO) Evaluation: Senate President pro Tem Perata has asked for an evaluation of the impact of ABX1 1 and the proposed initiative on the State's General Fund by the LAO in light of the State's pessimistic fiscal outlook.

Proposition 1A Protections: These voter approved protections for local governments are not affected by the legislation.

Employee Retirement Income Security Act (ERISA): The Golden Gate Restaurant Association challenged the employer contribution provision of San Francisco's Health Access Plan arguing that it violated ERISA which governs regulation of employee benefits. On December 26, 2007, District Judge Jeffrey White issued a ruling invalidating a portion of San Francisco's plan to extend health care coverage to all uninsured adult residents. The employer mandate was the portion of the plan that was invalidated. Judge White advised that the San Francisco plan was intruding into Federal regulation of employee benefits. It is unclear whether the ruling will be upheld on appeal and if a similar challenge will be mounted against the employer mandate provision of ABX1 1.

On January 3, 2008, the San Francisco City Attorney requested an emergency stay of the ruling from the appellate court in an effort to enforce the employer mandate during the appeals process. On January 9, 2008, the Ninth U.S. Circuit Court of Appeals ruled San Francisco's employer-based health care plan can take effect pending a full review on the merits of the lawsuit filed by San Francisco's restaurant industry. According to today's Sacramento Bee, the court said there was a "strong likelihood" the city would ultimately prevail in its defense of the ordinance.

WTF:GK
MAL:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association

County of Los Angeles
CHIEF EXECUTIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

January 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Legislative Analyst's Office Analysis of the Health Care Reform Proposal

On January 22, 2008, as requested by Senate President pro Tem Don Perata, the Legislative Analyst's Office (LAO) released its fiscal analysis of the proposed Health Care Reform (HCR) plan currently under consideration by the Legislature. The HCR plan consists of two parts: 1) ABX1 1, the Health Care Security and Cost Reduction Act, as amended on January 16, 2008, which passed the Assembly on December 17, 2007 and 2) the related ballot initiative, the Secure and Affordable Health Care Act of 2008, intended to be placed on the November 2008 general election ballot.

Senator Perata asked the LAO to address three questions: 1) What are the expected revenues and costs of the reform plan once implemented, and how will those change after five years; 2) What risks, cost pressures, and implications does the plan present to the State General Fund; and 3) How does the Governor's FY 2008-09 Proposed Budget affect the reform plans underlying finances.

The LAO considers this report a preliminary financial assessment, and indicates that they are in the process of gathering additional information for the Attorney General's Office regarding the proposed ballot initiative. As a result, estimates may change subsequent to analysis of this new information. A summary of the LAO's analysis follows.

Revenues and Costs. The LAO estimated the fiscal impact of HCR using two different assumptions regarding premium rates: 1) a $250 per member per month rate assumed by the proponents, and 2) a $300 per member per month rate which the LAO considers more likely to be achievable. The LAO believes a $250 per member per month rate may be difficult to achieve noting that the average monthly premium for individuals with employer coverage was $374 in 2007. The LAO concludes that in order to provide premium levels of $250, the State will need to either negotiate a much lower rate than the average employer or set the minimum benefit level substantially below the average employer-based benefit level.

Under the $250 premium assumption, the LAO indicates that there would be sufficient revenues to support the program in the first year of operation (FY 2010-11). However, by the fifth year of the program, annual costs would exceed revenues by $300 million. Despite this imbalance in the fifth year, the program would still have available funds as the collection of tobacco tax is scheduled to begin on May 1, 2009 and employer fees on January 1, 2010, prior to program costs being incurred. Under the $300 premium assumption, the LAO estimates that costs would exceed revenues by $122 million in the first year of program implementation, and this shortfall would increase to $1.5 billion by the fifth year of the program. The fund balance would show a cumulative deficit of almost $4 billion by the end of that period, in spite of early collection of tobacco tax and employer fees.

Other Risks, Cost Pressures, and Implications for the State General Fund. The LAO finds that approximately $1.1 billion of the $4.4 billion in Federal matching funds assumed by the reform plan are at risk. While $3.3 billion is likely to be available without the need to amend current Federal waivers or obtain new waivers, the LAO anticipates that a new waiver would be needed to provide an estimated $1.1 billion in new or redirected Federal matching funds annually. New administrative restrictions for states seeking to expand Federally-funded health coverage programs beyond 250 percent of the Federal Poverty Level (FPL) create risk that the funding for the Healthy Families Program expansion above 250 percent of FPL, which is assumed by the HCR plan, would not be available. Because estimates for the uninsured vary, the LAO indicates that there is a risk that the proponent's estimate may be too low, indicating that more uninsured would increase costs by hundreds of millions of dollars.

The LAO also indicates that ABX1 1 increases the State's General Fund exposure for In-Home Supportive Services (IHSS) costs as it raises the total level of State participation. The LAO estimates the cost exposure to be $40 million in FY 2010-11, increasing to $145 million in FY 2014-15. The LAO further notes that it is unclear whether the State, Federal, and/or county governments would be responsible for employer contributions for expanded health care coverage for IHSS providers under the measure.

Other risks identified by the LAO include the potential for an economic slowdown causing Californians to lose access to existing employer-provided healthcare, higher growth in medical inflation costs compared to revenues, and the possibility that individuals who choose a public plan would be less healthy than the average insured individual, all of which would result in higher than anticipated costs.

The LAO noted the following implications for the State General Fund:

- **Funding Source Outside State Control** – The HCR plan places a heavy reliance on the availability of Federal funds, while the Federal budget is facing serious fiscal challenges. To the extent that these funds are not available, there will be additional expenditure pressure on the State General Fund.

- **Funding Source Sunsets in 2015** – The hospital fee contained in the proposed ballot initiative is scheduled to sunset on July 1, 2015. Unless reauthorized, this would place additional pressure on the State General Fund.

- **Access to Medical Care** – According to the proponent's estimates, implementation would result in more than 3.5 million individuals becoming dependant on HCR for health care coverage. Terminating the program due to funding shortfalls would represent a hardship and create a serious disruption in access to medical care for these participants. Significant public pressure would be placed on the State to continue to fund the program through the State General Fund.

Impact of the State Budget on Reform Plan Finances. The LAO finds that in some cases, the Governor's Budget appears to conflict with the HCR proposal. For example, the Governor's Budget proposes to reduce provider payments for physicians and other medical providers to save approximately $602 million in FY 2008-09. However, the HCR proposal assumes a $500 million rate increase for Medi-Cal physicians in FY 2010-11, subject to appropriation by the Legislature. The Governor's Budget does not anticipate any HCR implementation activities in FY 2008-09, although the proponents have identified costs of about $110 million for such activities, which would be incurred in late 2008 or early 2009. Similarly, HCR will require changes in existing information technology systems and the development of new systems. Revenue sources to pay for these changes have not been identified. Under the proposal, the first HCR revenues would not be available until May of 2009.

Conclusion. The LAO finds that any plan to reform the State's health care system will involve financial risk over the long term. Further, the LAO concludes that many of the risks identified above would be shared by any health reform plan that attempts to maintain the current system of employer-based coverage while expanding public programs to cover the uninsured.

The complete analysis of the proposed HCR plan is available on the LAO's website at: http://www.lao.ca.gov.

Senate Health Committee Hearing on Health Care Reform—Vote Delayed

County-support and amend ABX1 1 (Nuñez), which would enact the Health Care Security and Cost Reduction Act, was heard on January 23, 2008 in the Senate Health Committee, but a vote on the bill was delayed until Monday, January 28, 2008. Senate President pro Tempore Don Perata asked that the vote be delayed to give Committee members additional time to review the bill and the LAO analysis of the Health Care Reform proposal.

The Senate Health Committee heard 11 hours of testimony, including Assembly Speaker Fabian Nuñez, the Administration, LAO, and numerous stakeholders. Health Services Director and Chief Medical Officer, Dr. Bruce Chernof, testified on behalf of the County. Dr. Chernof articulated the County's support of the bill indicating it will provide fiscal stability for the County's Department of Health Services and that the creation of the Local Coverage Option will provide public hospital counties with a stable patient base during the first few years of health care reform implementation. Dr. Chernof also stated that the County is seeking an amendment to ABX1 1 to exempt the County from the In-Home Supportive Services (IHSS) Trust Fund provision because the County already provides health coverage to the IHSS population through our Community Health Plan.

Legislative Analyst Elizabeth Hill provided Committee Members with an overview of the LAO analysis of the bill. As noted in the summary of the LAO report provided above, Ms. Hill outlined several risks of the bill, including the assumption of a $250 monthly premium for health care coverage, approximately $1.1 billion in Federal matching funds being at risk, and increased State participation rates in IHSS negatively impacting the State's General Fund.

Several Committee members, including the Chair, Senator Sheila Kuehl, and Senators Leland Yee, Darrell Steinberg, and Gloria Negrete-McLeod expressed their concern over the fiscal viability of the plan, especially since the State is facing a $14.5 billion budget shortfall over the next 18 months. Members also expressed concern about the monthly premium. They argued that if the premium is too low, they would be enacting an underfunded health care reform plan.

In his closing remarks, Assembly Speaker Fabian Nuñez noted that he has spent over a year working on fixing California's broken health care system, including working with the Governor on a plan that is expected to cover 70 percent of California's uninsured. He acknowledged that the bill is not perfect, but it is an improvement over the status quo.

He advised Members that this bill is a compromise and deserves their fair consideration. In addition, Assembly Speaker Nuñez stated that he believes the voters will approve the Secure and Affordable Health Care Act Initiative, which is expected to be placed on the November 2008 ballot.

The Senate Health Committee will reconvene on Monday, January 28, 2008 upon adjournment of the Senate. Senator Kuehl and other Committee Members are expected to make their closing remarks at that time.

Status of County Advocacy Legislation

County-supported AB 20 (Eng), as amended on January 8, 2008, which would authorize the Attorney General to contract for a study on successful strategies to resolve intergroup conflicts, passed the Assembly Judiciary Committee on January 15, 2008 by a vote of 9 to 1. AB 20 now proceeds to the Assembly Appropriations Committee, where it awaits a hearing.

We will continue to keep you advised.

WTF:GK
DD: MS:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

County of Los Angeles
CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

March 20, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Health Care Reform Update

As previously reported, County-supported AB X1 1 (Nuñez), which would reform the State's health care system, failed passage in the Senate Health Committee in late January 2008 because of concerns expressed by Committee members and Senate pro Tem Don Perata regarding its potential impact on the State General Fund at a time when the State is facing a multi-billion dollar budget shortfall. This view was reinforced by the Legislative Analyst Office's (LAO) report which cited the potential negative impact of health care reform on the General Fund, largely because targeted revenue sources, such as the cigarette tax, were not adequate to sustain a growing program. While the goal of health care reform is shared by the Governor and the Legislature, attention is being focused on resolving the State's Budget crisis.

Following the Senate Health Committee's rejection of AB X1 1, Governor Schwarzenegger issued the following statement:

"Despite the Senate's rejection of our comprehensive health care reform bill, I want the people of California to know I will not give up trying to fix our broken health care system. The issue is too important and the crisis is too serious to walk away after all the great progress we have made. The problems will not disappear. In fact, they are likely to get worse. I am someone who does not give up, especially when there is a problem as big and as serious as health care that needs to be fixed. One setback is just that - a setback. I still believe comprehensive health care reform is needed in California. We will keep moving forward. I can promise you that."

Our Sacramento advocates have heard from various sources that the Governor intends to bring back discussion of Health Care Reform in 2009 followed by a ballot measure in 2010. A number of health care coverage bills have been introduced with components taken from, or expanding on, the earlier Health Care Reform language. These bills include AB 2967 (Fuentes), which would require development of a health care cost and quality transparency plan to improve medical data collection, and AB 1945 (De La Torre) which would require a health plan to obtain final approval from its regulator prior to rescinding, canceling, or limiting coverage of a plan. Numerous spot bills also have been introduced relating to health care coverage, but they have not yet been amended with specific language.

Public Safety Budget Hearings

On March 12, 2008, both the Senate and Assembly budget subcommittees met to consider a number of public safety issues that included the early release and summary parole proposal presented in the Governor's Proposed Budget for FY 2008-09, and the LAO alternate proposal for Parole Realignment, felony sentence reduction, and consolidation of local assistance grants.

The Senate hearing discussed the Governor's prison population management proposals of early release and summary parole. Committee members were concerned that the Administration had failed to provide details of the impact on local communities and the facilities restructuring plans pursuant to AB 900 which funds additional prison beds and treatment facilities. There was also discussion of the LAO's alternate plan for reducing prison and parole population that includes Parole Realignment and felony sentence reduction. This alternate plan was created to address the LAO's concern that the Governor's proposals would place approximately 63,000 mid-level offenders and former felons into the community without supervision. Representatives from the California State Association of Counties (CSAC) and the Chief Probation Officers of California (CPOC) expressed a willingness to discuss key areas such as the adequacy of funding and the counties ability to develop the necessary workforce. Representatives from the League of Cities and the special enterprise districts expressed strong opposition to the shift of Proposition 172 Public Safety Augmentation Fund sales taxes and property tax revenues, respectively, to fund the LAO's parole realignment proposal.

The Assembly hearing also discussed the LAO's Parole Realignment, felony sentence reduction and consolidation of local assistance grants such as Citizens' Option for Public Safety, Mentally Ill Offender Crime Reduction Grant and Sexual Assault Felony Enforcement Grant. CSAC and CPOC representatives again expressed their willingness to further discuss the Parole Realignment proposal. The cities and special districts opposed the Proposition 172 sales tax and property tax transfers to fund Parole

Realignment. Testimony provided by local government and law enforcement agencies generally opposed the felony sentence reduction and the reduction of local assistance grants.

Both hearings were informational in nature and neither subcommittee took any action on the issues.

Pursuit of County Position on Legislation

AB 860 (Salas), as amended on February 28, 2008, would extend the sunset date from January 1, 2010 to January 1, 2018 for surcharges on vehicle registration fees imposed at county option to fund local vehicle theft prevention programs.

Existing law imposes, as a county option, an additional fee of one dollar per vehicle and an additional service fee of two dollars on all commercial motor vehicles to fund local programs relating to vehicle theft crimes. The Sheriff uses these funds to manage the Taskforce for Regional Autotheft Prevention (TRAP) program. TRAP includes representatives from the Sheriff, the Los Angeles Police Department, District Attorney and a number of other local police departments. TRAP investigates and prosecutes vehicle theft and other activities. According to the Sheriff's Department, TRAP has been responsible for 6,949 arrests, served 3,066 warrants, and recovered 18,718 vehicles with an estimated value of $320 million since 1993.

The Sheriff's Department and this office support AB 860. Support of AB 860 is consistent with the Board's previous support of AB 183 (Chapter 232, Statutes of 1999) which provided for the extension of this surcharge. Support of AB 860 also is consistent with Board policy to support funding for multi-agency collaborative justice programs. Therefore, our **Sacramento advocates will support AB 860.**

This bill has been referred to the Senate Transportation and Housing Committee. No hearing date has been set. AB 860 is co-sponsored by the Los Angeles County Sheriff, Los Angeles County District Attorney and the California State Sheriff's Association. Currently, there is no registered support or opposition on file.

AB 1917 (Dymally), as amended on March 3, 2008, would authorize Los Angeles County, by a resolution adopted by a majority vote of the Board of Supervisors, to classify physicians working in a County jail or a locked County mental health facility as safety members for purposes of retirement. AB 1917 also provides for the calculation of the retirement allowance of a member with credit for time during which he or she was not a safety member and use of the benefit formula applicable to existing safety members in Los Angeles County.

The County currently does not authorize the safety designation for physicians employed in County jails or locked mental health facilities. To do so prospectively would substantially increase the pension costs to the County. AB 1917 provides retirement allowances to physicians retroactively for qualifying credit and thereby imposes additional employer costs on the County for services already provided. As a result, the County would incur substantial additional costs and receive no additional benefit. In addition, AB 1917 would set a precedent and process for other classifications to seek similar treatment with regard to classification as a safety member for purposes of retirement. Moreover, your Board can make such determinations without specific legislation.

This office opposes AB 1917. Opposition to AB 1917 is consistent with previous positions taken by your Board on similar legislation such as AB 596 (Dymally) which is comparable to AB 1917 with the exception of the AB 1917 requirement that the Board of Supervisors authorize such a retirement enhancement by resolution. In addition, opposition to AB 1917 is consistent with County policy to oppose legislation that mandates eligibility of additional employees for safety retirement benefit provisions. Therefore, our **Sacramento advocates will oppose AB 1917.**

This measure is currently pending a hearing in the Assembly Public Employees, Retirement and Social Security Committee. Currently, there is no registered support or opposition on file.

SB 1222 (Cedillo), as introduced on February 14, 2008, would appropriate to the Department of Veterans Affairs (DVA) from the State General Fund an amount equal to three dollars per veteran beginning in FY 2008-09. Funds would be distributed on a pro rata basis to each county that has established and maintained a county veteran service officer. In Los Angeles County, there are approximately 400,000 veterans.

Existing law requires the DVA to disburse funds pursuant to the annual Budget Act on a pro rata basis to counties. While the Legislature is authorized to fund county veteran service offices up to five million dollars, only $2.6 million is allocated in the current year. SB 1222 would repeal this provision in favor of the three dollar per veteran appropriation.

The Department of Military and Veteran's Affairs and this office support SB 1222. Support is consistent with existing Board policy to support increased efforts to reduce homelessness for veterans and their families, increase affordable housing, mental health services, training, placement and employment opportunities, and provide other essential assistance to those who have honorably served in our armed forces. Therefore, our **Sacramento advocates will support SB 1222.**

This bill is scheduled for hearing before the Senate Committee on Veterans Affairs on March 25, 2008. Currently, there is no registered support or opposition on file.

SB 1341 (Padilla), as introduced on February 20, 2008, would permit CalWORKs recipients to retain savings and interest earned on savings in a special account to secure permanent rental housing or to make a rental payment to overcome an episode of homelessness. Under current law, CalWORKs families may retain savings and interest on these savings to pay for education or job training. CalWORKs recipients who wish to retain savings and interest for these purposes must enter into a written agreement with the County to establish a special account with a financial institution. SB 1341 would extend the use of these special accounts to retain savings and interest to secure permanent housing.

On average, approximately 5,000 CalWORKs families in Los Angeles County may be homeless in a given month. Under current law, CalWORKs families who are homeless or at-risk of homelessness must spend all of their savings in excess of $100 to receive permanent housing assistance. Limiting the amount of savings CalWORKs families may retain for housing creates an unnecessary hardship should a family lose housing, and may lead to families becoming homeless and remaining homeless for longer periods of time. In addition, homeless CalWORKs families who are placed in shelters are often required to save money, which is placed in a special account, as a condition of receiving shelter placement. This places CalWORKs families in the dilemma of losing shelter placement or CalWORKs benefits, ultimately making it more difficult for them to secure permanent housing.

The Department of Public Social Services and this office support SB 1341. Support of SB 1341 is consistent with existing Board policy to support proposals to increase services and benefits for CalWORKs homeless families and services and benefits to prevent homelessness among families receiving CalWORKs. Therefore, **our Sacramento advocates will support SB 1341.**

The bill is scheduled for hearing in the Senate Human Service Committee on March 25, 2008. Currently, there is no registered support or opposition on file.

We will continue to keep you advised.

WTF:GK:MAL
DD:IGR:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants